

It was by the law of March 19, 1897, that uniformity was brought effectively into the banking organism of Mexico and a system adopted conforming, in the opinion of the government, to the diversified needs of the country. The law was one of the results of the constructive policies adopted by Señor J. Y. Limantour, who became Minister of Finance in 1893, having for their aim the erection of Mexico into a modern commercial state. Three classes of incorporated banks were recognized by the new legislation—banks of issue, mortgage banks, and banks especially designed for loans to agriculturists. Only the first class concerns us here, except to note the fact that Señor Limantour recognized the principle that banks issuing notes should deal only in short-term paper, while the mortgage banks were authorized especially for the purpose of issuing obligations for those enterprises which required time and the permanent investment of capital for their development.<sup>1</sup>

The principle of monopoly of issues was rejected, because it was in conflict with vested rights and because of the diversity of interests in different parts of Mexico. In the place of a central bank of issue the foundations were laid for a qualified monopoly in each of the thirty states of the republic, by giving to the bank first created in the state advantages over later competitors. Capital, dividends, and instruments of credit issued by such a bank were to be exempt from all taxes, federal or local, except the stamp tax, and even the latter was not to exceed five centavos in any case for the privileged banks, while it might be much higher for all others. These later comers in states already having banks of issue were subject not only to all local and federal taxes, but were required specifically to pay two per cent, annually upon their capital.<sup>9</sup> Finally, it was prohibited to any bank

American system, because it has made the state the sole body which issues notes and because it has provided the public debt as their guarantee."—*Les Institutions de Crédit*, 189.

<sup>1</sup> Favre, *Les Banques au Mexique*, 20.

<sup>9</sup> *The New Banking Law of the Republic of Mexico* Articles 121-129. The exemptions were only for twenty-five years from the date of the law.